

Message Text

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AGR-05 INT-05 CU-02 /085 W
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R 141430Z NOV 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6431

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BUENOS AIRES

AMEMBASSY MONTEVIDEO

AMEMBASSY LA PAZ

AMEMBASSY ASUNCION

AMEMBASSY SANTIAGO

CINCSO QUARRY HEIGHTS CZ

C O N F I D E N T I A L SECTION 1 OF 5 BRASILIA 8612

E.O.11652: GDS

TAGS: PINS, BR

SUBJECT: BRAZIL ON THE EVE OF ELECTIONS

1. SUMMARY: THE PAST YEAR HAS SEEN THE OCCURENCE OF A
SIGNIFICANT PSYCHOLOGICAL SHIFT IN BRAZIL. THE
GEISEL ADMINISTRATION, COMING TINTOO OFFICE ON THE HEELS
OF SIX CONSECUTIVE EARS OF VERY RAPID ECONOMIC GROWTH,
WAS EXPECTED TO CONTINUE THAT GROWTH, AND, BASED ON ITS
OWN PUBLIC ACTIONS, TO BRING ABOUT A GRADUAL RELAXATION
OF POLITICAL CONSTRAINTS.

2. IT IS NOW CLEAR THAT BRAZIL IS HEADING FOR APERIOD
OF ECONOMIC SLOWDOWN. SINCE THE MAINTENANCE OF RAPID
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ECONOMIC GROWTH IS BASIC TO REVOLUTIONARY DOCTRINE,

BOTH AS AN ESSENTIAL ELEMENT OF NATIONAL SECURITY AND EVIDENCE OF THE REGIME'S LEGITIMACY, SUCH A SLOWDOWN CAN BE SEEN AS A CHALLENGE TO THAT DOCTRINE. COMBINED WITH OTHER ELEMENTS -- THE STRAITENED ECONOMIC CIRCUMSTANCES OF THE YOUNGER OFFICERS AND DISSATISFACTION OF SOME INFLUENTIAL OFFICERS WITH THE REGIME'S POLICY OF "POLITICAL DECOMPRESSION", FOR EXAMPLE -- THIS HAS RESULTED IN SOME MILITARY CRITICISM OF, AND PRESSURE ON, THE GEISEL ADMINISTRATION. ECONOMIC GRIEVANCES ARE ALSO CAUSING SOME POPULAR DISCONTENT. THERE HAVE BEEN ISOLATED, BUT WIDELY NOTED, INCIDENTS OF VIOLENCE IN SAO PAULO, RIO AND BRASILIA, AND, ALTHOUGH THESE INCIDENTS DO NOT REPRESENT A THREAT TO INTERNAL SECURITY, THEY ARE A MATTER OF CONCERN TO THE GOVERNMENT.

3. SINCE THE CONGRESSIONAL ELECTIONS ARE THE ONLY DIRECT ELECTIONS OF ANY MOMENT IN BRAZIL, THEY ARE A TEST OF THE GOVERNMENT'S CLAIM TO OVERSHELMING POPULAR SUPPORT IN THE FREEST CAMPAIGN SINCE 1964. ACCORDING TO OUR SOUNDINGS, MANY VOTERS IN SEVERAL KEY STATES -- INCLUDING VOTERS IN THE HIGHER ECONOMIC CLASSES -- INTEND TO VOTE FOR THE OPPOSITION MDB PARTY IN PROTEST AGAINST CURRENT ECONOMIC PROSPECTS AND TO "SEND A MESSAGE TO BRASILIA." THE OPPOSITION MDB, THEREFORE, STANDS A CHANCE, VARYING FROM GOOD TO FAIR, OF INCREASING ITS PARTICIPATION IN THE STATE AND FEDERAL LEGISLATURES, AND OF CAPTURING FEDERAL SENATORSHIPS IN THE KEY STATES OF RIO GRANDE DO SUL, SAO PAULO, AND PERNAMBUCO. WHILE A STRENGTHENING OF MDB REPRESENTATION WOULD BE IN SOME SENSES BENEFICIAL TO THE REGIME, THE DANGER EXISTS THAT A STRONG MDB SHOWING MIGHT PRODUCE A REACTION FROM MILITARY HARD LINERS. THE 1974 ELECTIONS THEREFORE ARE THE MOST IMPORTANT IN THE TEN-YEAR HISTORY OF THE REVOLUTION. ANY SIGNIFICANT INCREASE IN MDB STRENGTH, AS NOW APPEARS QUITE POSSIBLE, WILL PROVIDE SEARCHING TEST OF THE GOVERNMENT'S INTENTIONS AND OF ITS CAPABILITY TO MANAGE THE DELICATE BALANCE OF POLITICAL FORCES IN BRAZIL. END SUMMARY.

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4. BRAZIL HAS IN RECENT MONTHS BEEN UNDERGOING A SIGNIFICANT PSYCHOLOGICAL SHIFT. THE END OF THE PRECEDING MEDICI ADMINISTRATION REPRESENTED A KIND OF PINNACLE OF CONFIDENCE: SIX YEARS OF ANNUAL GROWTH RATES OF 10 PERCENT OR BETTER, THE REDUCTION TO VIRTUAL INVISIBILITY OF THE INTERNAL SUBVERSION PROBLEM, THE INCREASINGLY ASSERTIVE AND SUCCESSFUL FOREIGN POLICY, ALL LED TO THE FEELING THAT AFTER

YEARS OF WRY JOKES ABOUT BEING PERMANENTLY THE
COUNTRY OF THE FUTURE, BRAZIL HAD FOUND ITS FEET
AND WAS READY TO TAKE ITS RIGHTFUL PLACE ON THE
WORLD SCENE.

5. AS GEISEL TOOK OFFICE, THERE ALSO AROSE THE
IDEA THAT THE REVOLUTION, HAVING DEALT SUCCESSFULLY
WITH THE PROBLEMS OF INTERNAL SECURITY
AND THE ECONOMY, WAS NOW READY TO MAKE GOOD ON ITS
LONGSTANDING COMMITMENT TO LEAD THE COUNTRY BACK
TOWARD DEMOCRACY. INDEED, WHILE IT WAS ONLY
SENSIBLE TO WONDER WHETHER WHETHER SUCH AN EFFORT COULD
BE SUCCESSFULLY BROUGHT OFF, HARDLY ANYONE DOUBTED
THE SINCERITY OF THE NEW ADMINISTRATION'S DESIRE
TO TRY, EVEN AS IT SOUGHT TO MAKE CLEAR THAT ANY
CHANGES WOULD BE GRADUAL AND WOULD OCCUR OUNDER
CAREFULLY CONTROLLED CONDITONS.

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AGR-05 INT-05 CU-02 /085 W

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R 141430Z NOV 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6432

INFO AMCONSUL RIO DE JANEIRO

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6. SEVEN MONTHS INTO THE GEISEL ADMINISTRATION, HOWEVER, THE PICTURE ACROSS THE BOARD IS A VERY DIFFERENT ONE. IN MID-1973, THE BRAZILIAN ECONOMY BEGAN TO ENCOUNTER SERIOUS INDUSTRIAL AND INFRASTRUCTURE CONSTRAINTS AND THE PINCH OF DOMESTIC AND EXTERNAL INFLATIONARY PRESSURES. THESE DIFFICULTIES WERE AGGRAVATED IN 1974 BY THE WORLD PETROLEUM CRISIS WHICH DID NOT DIMINISH BRAZIL'S SUPPLY OF OIL BUT DID TRIPLE THE COUNTRY'S OIL IMPORT BILL TO AT LEAST \$2.6 BILLION. WITH ADDITIONAL HIGHER IMPORT COSTS FOR CAPITAL EQUIPMENT AND ESSENTIAL RAW MATERIALS, COMPOUNDED BY MODEST EXPORT GROWTH AND DIFFICULTIES IN INTERNATIONAL CAPITAL MARKETS, BRAZIL THIS YEAR FACES SERIOUS DIFFICULTIES.

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BALANCE OF PAYMENTS PRESSURES FOR THE FIRST TIME IN SEVERAL YEARS AND THE PROSPECT FOR 1975 IS FOR CONTINUED DIFFICULTIES.

7. THE BRAZILIAN ECONOMY IS CURRENTLY AT A STAGE WHERE POLICYMAKERS MUST FACE TRADEOFFS AMONG THEIR PRINCIPAL OBJECTIVES -- THE MAINTENANCE OF HIGH OVERALL GROWTH RATES, GRADUAL REDUCTION OF INFLATION AND BALANCE OF PAYMENTS STABILITY. DECISIONS ANNOUNCED IN RECENT WEEKS INDICATE THAT THE GOVERNMENT IS PREPARED TO ACCEPT A RESURGENCE OF INFLATION AND SOME DETERIORATION IN THE BALANCE OF PAYMENTS IN ORDER TO AVOID, IF POSSIBLE, A SERIOUS DROP IN THE GROWTH RATE. INFLATION IN 1974 WILL BE ABOUT 34 PERCENT AND THE BALANCE OF PAYMENTS DEFICIT ON CURRENT ACCOUNT IS ANTICIPATED TO REACH 7 BILLION DOLLAR, COMPARED TO 1.3 BILLION DOLLARS IN 1973. AT THE MOMENT, BRAZIL STILL HAS A SATISFACTORY FOREIGN EXCHANGE RESERVE CUSHION BUT, IF 1975 TURNS OUT TO BE A BAD YEAR FOR THE BALANCE OF PAYMENTS, THE COUNTRY'S EXTERNAL POSITION WOULD BE SERIOUSLY WEAKENED. HOWEVER, THE LONG-TERM GROWTH PROSPECTS OF THE BRAZILIAN ECONOMY REMAIN BRIGHT AND AN IMPORTANT OBJECTIVE OF POLICYMAKERS IN THE SHORT-TERM WILL BE TO INSULATE THOSE PROSPECTS FROM ADVERSE DEVELOPMENTS IN THE WORLD ECONOMY BY SUCH MEASURES AS ACCELERATED DEVELOPMENT OF MINERAL AND AGRICULTURAL RESOURCES AND INTENSIFIED IMPORT SUBSTITUTION OF MANUFACTURED PRODUCTS.

8. THE IMPACT OF THESE ECONOMIC PROBLEMS IS PARTLY EXPLAINED BY THE FACT THAT ECONOMIC SUCCESS HAS BEEN FUNDAMENTAL TO THE REVOLUTION AND ITS CLAIM THAT, IN CONTRAST TO THE NATION'S PRE-1964 LEADERS, IT KNOWS HOW TO MAKE THINGS WORK. THAT A STRONG ECONOMY IS ESSENTIAL TO NATIONAL SECURITY IS A BASIC POSTULATE OF THE REVOLUTION.

9. AN ADDITIONAL COMPLICATING FACTOR IS THAT THE BRAZILIAN MILITARY ESTABLISHMENT HAS UNDERGONE
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JOLTS DURING THE FIRST SEVEN MONTHS OF THE GEISEL ADMINISTRATION. THE TRANSITION FROM THE AUTOCRATIC STEWARDSHIP WHICH FORMER MINISTER ORLANDO GEISEL IMPOSED UPON THE ARMY FOR 52 MONTHS WOULD HAVE BEEN A DIFFICULT SITUATION UNDER THE BEST OF CIRCUMSTANCES. THE DEATH IN OFFICE OF SUCCESSOR MINISTER DALE COUTINHO AGGRAVATED THE PROCESS, LARGELY BECAUSE OF THE EXTREME PERSONNEL TURBULENCE THAT CONTINGENCY EXACERBATED AT THE HIGHEST ARMY LEVELS. THE NAVY WAS SHAKEN BY THE TUMULTUOUS JOCKEYING OF AT LEAST FOUR FLEET ADMIRALS WHO VIED FOR THE MINISTER'S BILLET, WHILE THE AIR FORCE WAS SADDLED WITH THE CONTINUATION OF THE PREVIOUS MINISTER, SIMPLY BECAUSE HE WAS CONSIDERED "THE LEAST OF THE EVILS." BOTH THE NAVY AND THE AIR FORCE ALSO FACED THE PROSPECT OF YEARS OF BELT TIGHTENING AS THEIR BUDGETS WOULD HAVE TO ABSORB SUBSTANTIAL PURCHASES MADE DURING THE MEDICI REGIME.

10. THE SPEED WITH WHICH THE ENERGY CRISIS AND THE GENERAL WORLD ECONOMIC SITUATION PIERCED THE IMAGE WHICH BRAZILIAN MILITARY MEN HAD OF THEIR ECONOMIC "MIRACLE" CREATED WAVES OF DISAPPOINTMENT, UNCERTAINTY, SHAKING OF SELF-CONFIDENCE, AND DOUBT. MOREOVER, AS WITH OTHER SECTORS OF SOCIETY, MILITARY MEN -- ESPECIALLY THE LOWER PAY GRADES -- ARE FEELING THE IMPACT OF A SUBSTANTIAL LOSS OF BUYING POWER, WITH AN ATTENDANT LOWERING OF STANDARDS OF LIVING. AS MILITARY MEN REACT TO THE CHANGING SITUATION, THEY SEARCH FOR FACTORS TO WHICH THEY MIGHT ATTRIBUTE RESPONSIBILITY. THE POLITICAL DECOMPRESSION FACTOR IS CHARGED BY SOME AS BEING A SIGNIFICANTLY DE-STABILIZING CULPRIT. STILL ANOTHER GROUP OF OFFICERS BLAMES SPECIFIC (COUNTERVAILING DUTIES ON SHOES) OR UNDEFINED (MULTINATIONALS) FOREIGN INFLUENCES. SOME COMPARE PRESIDENT GEISEL UNFAVORABLY TO HIS PREDECESSOR AND ATTRIBUTE TO GEISEL AND HIS ADVISERS

A HEAVY SHARE OF THE BLAME.

11. THE NOVELTY -- IT HAD BEEN INFREQUENT DURING
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MEDICI'S GOVERNMENT -- OF MILITARY PRESSURES UPON
THE REGIME LENDS ITSELF TO EXAGGERATION OF THE
MAGINTUDE AND THE SIGNIFICANCE OF SUCH PRESSURES.
WHILE TODAY THE OFFICER CORPS IS SOMEWAT TENSE,
IT REMAINS HIERARCHICALLY DISCIPLINED AND CONTINUES TO
BELIEVE THAT MILITARY UNITY IS VITAL TO THE
SUCCESS OF THE 1964 REVOLUION. MOREOVER,
THERE IS NOT APPARENTLY ACCEPTABLE ALTERNATIVE FOR
EITHER THE PREVAILING SYSTEMS OR THE LEADESHIP
OF GENERAL GEISEL. FINALLY, THE REGIME IS NOTING
IN THE ECONOMIC AREA (PAY ADVANCES AND PROMISES
OF PAY RAISES): IN THE CAREER SECTOR (FASTER
PROMOTIONS AND OVERALL IMPROVEMENT IN CAREER
DEVELOPMENT PROSPECTS), AND IN THE DECOMPRESSION
SECTOR (TOUGHNESS WHENEVER SECURITY THREATS
APPEAR TO BE DEVELOPED).

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AGR-05 INT-05 CU-02 /085 W

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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 6433

INFO AMCONSUL RIO DE JANEIRO
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AMEMBASSY BUENOS AIRES
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CINCSO QUARRY HEIGHTS CZ

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12. OVER THE PAST MONTH, THERE HAS ALSO BEEN GROWING DISSATISFACTION WITHIN IMPORTANT SECTORS OF THE POPULATION, INCLUDING STUDENT AND LABOR GROUPS. SECURITY OFFICIALS ARE INCRESINGLY CONCERNED OVER THIS DISSATISFACTION, BUT THE INTERNAL SECURITY SITUATION HAS NOT DETERIORATED TO ANY SIGNIFICANT DEGREE. MOST OF THE DISSATISFACTION ARISES FROM GENUINE ECONOMIC GRIEVANCES. THEY HAVE BEEN RESPONSIBLE FOR SUCH ISOLATED BUT WIDELY-NOTED INDICENTS AS WORK STOPPAGES IN THE MAJOR INDUSTRIES IN SAO PAULO, AN UNUSUAL OUTBREAK OF VIOLENCE AND STONING OF BUSES IN RASILIA OVER SHARP INCREASES IN BUS RATES, THE BURNING OF RAILROAD COACHES IN RIO OVER
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REPEATED DELAYS IN TRAIN SERVICE, AND DEMONSTRATIONS OF DISSATISFACTION WITHIN MILITARY UNITS WHICH HAVE INCLUDED THE DISTRIBUTION OF SIGNED MANIFESTOS. THERE HAVE ALSO BEEN NON-VIOLENT DEMONSTRATIONS BY STUDENTS AT THE UNIVERSITIES OF SAO PAULO AND BRASILIA OVER BOTH ECONOMIC AND POLITICAL GRIEVANCES. SECURITY SERVICES ARE OBVIOUSLY CONCERNED OVER THESE DEMONSTRATIONS OF DISSATISFACTION. THE MORE HARD LINE PROPONENTS ARE AUTOMATICALLY INCLINED TO SEE SUBVERSIVE ACTIVITY IN DEMONSTRATIONS OF DISSATISFACTION AND TO CALL FOR A CRACKDOWN ON THOSE RESPONSIBLE: THE MORE OBJECTIVE ACKNOWLEDGE THE JUSTICE OF THE ECONOMIC COMPLAINTS BEING VOICED AND HOPE TO SEE GOVERNMENT ACTION TO REMEDY SOME OF THE MORE GLARING RPOBLEMS.

13. THE ABOVE FACTORS PROVIDE AN INESCAPABLE AND CHALLENGING BACKDROP TO ARENA'S ELECTORAL PROSPECTS. THE ECONOMIC DISCONTENT IS INSPIRING A LARGE NUBMER OF CITIZENS TO "SEND A MESSAGE TO BRASILIA" BY VOTING FOR MDB CANDIDATES RATHER THAN RELYING ON THE USUAL BLANK BALLOT TO DEMONSTRATE DISPLEASURE. ACCORDING TO THECONSULATE GENERAL IN SAO PAULO,

THIS DISCONTENT " IS NOT LIMITED TO THE WORKING CLASS, WHICH IN RECENT YEARS HAS WITNESSED THE SERIOUS FAILURE OF BASE WAGES TO KEEP PACE WITH PRICES, BUT RATHER HAS SPREAD TO THE MIDDLE CLASS AND EVEN TO SAO PAULO'S AGRICULTURAL ARISTOCRACY, HERETOFORE THE STANDARD-BEARERS OF THE 1964 REVOLUTION". THIS TREND IS ALSO MANIFESTED IN OTHER DISTRICTS WHERE THE MDB, ALWAYS STRONG IN THE CITIES, IS ALSO RUNNING STRONGLY IN THE RURAL AREAS OF SEVERAL STATES. TRADITIONALLY, THE ARENA HAS OVERCOME URBAN MDB STRONGHOLDS IN A HISTORY OF REASONABLY STRAIGHT ELECTIONS WITH THE MORE MANIPULABLE NOTE OF THE RURAL ELECTORATE.

14. THE ECONOMIC DISCONTENT, HOWEVER, IS MERELY ONE SEGMENT OF THE ARENA'S - AND THE GOVERNMENT'S - PROBLEMS. IN VIEW OF THE LACK OF DIRECT POPULAR VOTE FOR PRESIDENT AND STATE GOVERNORS, THE FORTH-

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COMING ELECTIONS HAVE TAKEN ON IMPORTANCE AS A TEST, NOT ONLY OF THE REGIME'S POLICIES, BUT ALSO OF ITS CLAIM TO POPULAR SUPPORT. IRONICALLY, THE GUBERNATORIAL SELECTION PROCESS, WHICH IN KEEPING WITH GOVERNMENT PLANS FOR POLITICAL DECOMPRESSION SOUGHT TO INVOLVE THE POLITICAL CLASS IN THE NOMINATIONS, ALSO CONTRIBUTED TO THE PRESENT POLITICAL DISARRAY OF THE ARENA. WHERE THE MEDICI GOVERNMENT ACTED UNILATERALLY AND AUTOMATICALLY TO IMPOSE ITS CHOICE FOR GOVERNORS, THE GEISEL GOVERNMENT MADE A SHOW OF CONSULTING STATE PARTY LEADERSHIP WITHOUT, HOWEVER, ABDICATING ITS POWER TO PASS ON THE SUITABILITY OF CANDIDATES, AND, IN SOME CASES, IMPOSE ITS WILL ON THE LOCAL PARTY DIRECTORATES. THE GEISEL PROCESS SEEMS IN SEVERAL INSTANCES TO HAVE DEVELOPED INTO THE WORST OF BOTH WORLDS. IT EXACERBATED LOCAL ARENA INTRA-PARTY RIVALRIES TO THE POINT THAT SOME GOVERNORS AND PARTY LEADERS HAVE EITHER COMPLETELY FAILED TO CAMPAIGN FOR THE OFFICIAL NOMINEES, PARTICULARLY SENATORIAL CANDIDATES, OR HAVE DONE SO IN A HALF-HEARTED MANNER. THIS HAS BEEN THE CASE IN RIO GRANDE DO SUL, RIO DE JANEIRO, CEARA, MARANHAO, AND NOTABLY, SAO PAULO.

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AGR-05 INT-05 CU-02 /085 W
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R 141430Z NOV 74

FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 6434
INFO AMCONSUL RIO DE JANEIRO
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15. IN LATE OCTOBER SOME NEWSPAPERS WERE PROCLAIMING THAT ARENA WAS IN TROUBLE IN 14 STATES. WHILE THIS WAS UNDOUBTEDLY AN EXAGGERATION, ONE LOCAL OBSERVER NOTED THAT, EVEN IF IT WERE 50 PERCENT TRUE IT WAS STILL SIGNIFICANT. THE MAGIC FIGURE FOR THE MDB WOULD BE 33 1/3 PERCENT OF THE REPRESENTATION IN THE CAMARA (PRESENTLY 85 MDB TO 223 ARENA) WHICH WOULD PERMIT, IN ACCORDANCE WITH THE CONSTITUTION, THE MDB SIDE ALONE, VOTING AS A BLOC, TO SET UP PARLIAMENTARY COMMISSIONS OF INQUIRY. SIMILARLY, THE ONE-THIRD VOTE WOULD PERMIT THE MDB TO PRESENT CONSTITUTIONAL AMENDMENTS FOR CONSIDERATION. THERE IS ALSO SOME TALK OF ESTABLISHING AN MDB " SHADOW CABINET" TO PERMIT THE OPPOSITION A CLOSER SCRUTINY OF THE ACTIVITIES AND POLICIES OF THE EXECUTIVE. MOST IMPORTANT
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OF ALL - AND MORE DIFFICULT TO REALIZE - WOULD BE A VICTORY OF AN MDB MAJORITY IN KEY STATE LEGISLATURES WHICH WOULD PERMIT THE OPPOSITION TO SELECT GOVERNORS BY MEANS OF THE PRESENT SYSTEM OF INDIRECT VOTING.

16. NATIONALLY, THE MOST CLOSELY WATCHED SENATORIAL ELECTIONS, BECAUSE OF THEIR SIGNIFICANCE AND REPRESENTATIONAL CHARACTER, HAVE BEEN THOSE OF RIO GRANDE DO SUL, SAO PAULO, AND PERNAMBUCO. RIO GRANDE DO SUL, THE MOST POLITICIZED STATE IN THE UNION, AND TO SOME OBSERVERS, THE "CRADLE OF THE REVOLUTION", BECAUSE OF THE HIGH PROPORTION OF ARMY OFFICERS CONTRIBUTED BY THE STATE; SAO PAULO, BECAUSE OF ITS ECONOMIC PROMINENCE; AND PERNAMBUCO, THE KEY TO THE NORTHEAST WHERE THE MOST ATTRACTIVE - AND ONE OF THE MORE RADICAL - CANDIDATES OF THE MDB IS RUNNING AGAINST AN OLD ARENA WAR HORSE. AT THIS WRITING, THE MDB WILL VERY PROBABLY WIN THE SENATORIAL RACE IN SAO PAULO, HAS A GOOD CHANCE IN RIO GRANDE DO SUL, AND A FAIR CHANCE IN PERNAMBUCO. MDB CANDIDATES ARE ALSO RUNNING WELL IN RIO DE JANEIRO, GOIAS, GUANABARA, SANTA CATARINA, PARANA AND PRAIBA. THERE HAS BEEN CONSIDERABLE WHISTLING IN THE DARK BY MAJORITY POLITICAL LEADERS TO THE EFFECT THAT THE MDB CANDIDATES WHO ARE LIKELY TO WIN ARE COMPLETELY ACCEPTABLE TO THE GOVERNMENT. IT HAS ALSO BEEN STATED THAT A GOOD SHOWING BY THE MDB WOULD GUARANTEE THE CONSOLIDATION OF THE HERETOFORE SHAKY OPPOSITION WHICH MOST OBSERVERS CONSIDER A HEALTHY PHENOMINON. IT HAS BEEN ARGUED THAT THE NEW MDB REPRESENTATION IS LIKELY TO BE IN THE DIRECTION OF THE MORE CONSERVATIVE WING OF THE PARTY AND WORK TO THE DETRIMENT OF THE RADICAL GROUP OF 27 "AUTENTICOS". THE CRUCIAL QUESTION REMAINING IS AT WHAT POINT MDB ELECTORAL GAINS WOULD BE CONSIDERED UNACCEPTABLE TO MILITARY HARD LINERS. THE LOSS OF ONE OR TWO SENATE SEATS, EVEN IF THEY WERE IN SUCH KEY POINTS AS THE ECONOMIC POWERHOUSE OF SAO PAULO OR THE HOME BASE OF RIO GRANDE DO SUL, IS NOT LIKELY TO CAUSE MORE THAN

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A SIMPLE DISCOMFORT, PARTICULARLY IF THE ARENA MANAGES TO RETAIN CONTROL OF THE STATE LEGISLATURES. A MORE SWEEPING VICTORY ON THE PART OF THE MDB WILL LIKELY RESULT IN PRESSURE ON THE EXECUTIVE FOR RECOURSE TO THE EXCEPTIONAL INSTRUMENTS OF POWER, I.E., AI 5, TO ELIMINATE THE PROSPECT OF WHAT WOULD BE CONSIDERED, IN SOME CIRCLES, THE

NEGATION OF THE 1964 REVOLUTION. ANY GOVERNMENT
ACCESSION TO THESE PRESSURES WOULD GIVE SOME
VALIDITY TO THE MDB ASSERTION THAT THE GOVERNMENT
IS PREPARED TO ACCEPT POLITICAL DECOMPRESSION
BUT IS NOT PREPARED TO LOSE ELECTIONS. ALTERNATIVELY,
THERE IS HOPE ON THE PART OF A NUMBER OF ACUTE
POLITICAL OBSERVERS THAT THE GOVERNMENT WILL
ACCEPT THE ELECTION RESULTS, THUS CONTRIBUTING TO
THE DECOMPRESSION PROCESS. THE MDB'S CRAFTY LEADER,
ULYSSES GUIMARAES, ACTED ON NOVEMBER 8 TO SPIKE
HARDLINE PRESSURES ON THE GEISEL ADMINISTRATION BY
ISSUING A MANIFESTO PLEDGING THE MDB TO A POLICY
OF NATIONAL UNITY WITH THE PRESIDENCY TO "...REMOVE
BRAZIL FROM THE EQUIVOCATION, PERPLEXITY AND
UNCERTAINTY IN WHICH IT IS CAUGHT..."

17. THAT THE ADMINISTRATION IS FEELING THE HEAT
IS DEMONSTRATED BY ITS DECISION TO REVERSE LONGSTANDING
POLICY AND GRANT A WAGE INCREASE IN ADVANCE OF THE
SCHEDULED TIME, AND BY ITS LAST-MINUTE ACTION TO
BLOCK CHICO PINTO'S FAREWELL SPEECH (BRASILIA 8032).
ANOTHER SIGN WAS THE SUPREME ELECTORAL TRIBUNAL'S
MESSAGE TO THE REGIONAL TRIBUNALS, REQUESTED BY

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----- 107365

R 141430Z NOV 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6435

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C O N F I D E N T I A L SECTION 5 OF 5 BRASILIA 8612

JUSTICE MINISTER FALCAO THROUGH THE ATTORNEY
GENERAL'S OFFICE, TO BE ALERT TO, AND MOVE PROMPTLY
ON, SUCH CAMPAIGN EXCESSES AS OFFENSE TO AUTHORITIES
OR INCITEMENTS TO DISORDER. FURTHER, WE NOTE THAT
VARIOUS PRESS SOURCES HAVE INFORMED US THAT THE
CENSORS' LIST OF FORBIDDEN TOPICS HAS GROWN
RECENTLY. THE OCTOBER 24 ISSUE OF THE "ESTADO DE
SAO PAULO" WAS THE MOST HEAVILY CENSORED ISSUE OF
ANY NEWSPAPER IN RECENT MEMORY.

18. IN AN OBVIOUS ATTEMPT TO BOLSTER THE GOVERN-
MENT'S SPIRIT, PRESTIGIOUS COLUMNIST CHARLOS CASTELLO
BRANCO HAS IN RECENT COLUMNS NOTED THAT A CERTAIN
AMOUNT OF AGITATION IS INHERENT IN DEMOCRACY,
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THA DIALOGUE IS THE BEST WAY TO RESOLVE DIFFERENCES,
AND THAT THE WAGE INCREASE DECISION, WHATEVER ITS
ELECTORAL PURPOSE, IS LAUDABLE AS A RESPONSE TO
POPULAR SENTIMENT AND NEED. INDEED, SUGGESTED
CASTELLO, THE PROCESS -- OPEN EXPRESSION OF POPULAR
WILL FOLLOWED BY PROMPT GOVERNMENT ACTION TO MEET
THE NEED EXPRESSED -- WAS POLITICS OF A COMMENDABLE
SORT.

19. WE DOUBT THE GOVERNMENT FEELS MUCH ENCOURAGED.
RATHER, THE WAGE INCREASE, THE TOUGH HANDLING OF
THE CHICO PINTO CASE, THE INCREASED CENSORSHIP,
THE ELECTORAL TRIBUNAL WARNING, ALL ARE EVIDENCE
TENDING TO CONFIRM THE WORLD THAT WAS ALREADY
SPREADING; DECOMPRESSION IS IN COLD STORAGE, AT
LEAST UNTIL AFTER THE ELECTION RETURNS ARE IN AND
HAVE BEEN ANALYZED, AND DEPENDING ON HOW THE
ECONOMIC SITUATION DEVELOPS. ANOTHER SIGN IS THE
FACT THAT THE PUBLIC BUT UNATTRIBUTED DECLARATIONS
OF A FEW MONTHS AGO, ACCORDING TO WHICH 1975 WOULD
BE THE YEAR FOR INSTITUTIONALIZING DECOMPRESSION,
(REPRESENTATIVES OF THE GEISEL ADMINISTRATION,
HOWEVER, CONSISTENTLY TOLD EMBOFFS THAT THERE WAS
NO TIMETABLE FOR DECOMPRESSION) HAVE MORE RECENTLY
GIVEN WAY TO SIMILARLY OPEN BUT ANONYMOUS ASSERTIONS

THAT THE GEISEL ADMINISTRATION INTENDS TO HAVE
ACCOMPLISHED ITS POLITICAL GOALS BY THE END OF ITS
FIVE-YEAR TERM.

20. THE POINT TO BE BORNE IN MIND IS THAT THE
SOMEWHAT MUSCULAR NATIONAL SELF-CONFIDENCE OF LESS
THAN A YEAR AGO HAS GIVEN AWAY TO A HEIGHTENED
SENSE OF VULNERABILITY. IN SUM, THE 1974 SENATORIAL
AND CONGRESSIONAL ELECTIONS HAVE TAKEN ON AN
IMPORTANCE WELL BEYOND ANY SIMILAR CONTEST SINCE 1964.
TO THE GOVERNMENT'S CREDIT, IT HS BEEN A RELATIVELY
UNINHIBITED AND OUTSPOKEN CAMPAIGN, CERTAINLY THE FREEST
SINCE 1964. A SIGNIFICANT INCREASE IN MDB STRENGTH IN THE
ELECTIONS, HOWEVER, WILLFORCE AN ACID TEST OF THE REGIME'S
INTENTIONS AND ITS CAPABILITY OF HANDLING THE CURRENTLY
DELICATE EQUILIBIRUM OF POLITICAL FORCES IN BRAZIL. THE
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GOVERNMENT CAN EITHER ACCEPT THE RESULT GRACEFULLY,
WHICH WILL HAVE A PROFOUND AND POSITIVE IMPACT
ON THE DECOMPRESSION PROCESS, OR CAN REACT
REPRESSIVELY, WHICH WILL SET BACK FOR AN INDEFINITE TIME
THE RETURN TO A MORE NORMAL REPRESENTATIVE SYSTEM WITH
THE CONSEQUENT DANGER OF HEIGHTENED TENSIONS OVER TIME.
THE COURSE CHOSEN WILL DEPEND ON THE EXTENT OF THE
MDB SHOWING AND ON THE ECONOMIC PROSPECTS AS PERCEIVED
BY THE GOVERNMENT FOR THE FORTHCOMING YEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTION FORECASTS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 14 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL08612
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740329-0321
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741145/aaaablmg.tel
Line Count: 687
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <13 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RAZIL ON THE EVE OF ELECTIONS
TAGS: PINS, PGOV, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005